

**CITY OF DENVER**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
SUPPLEMENTARY AND OTHER INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2013**

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## **City of Denver**

### **Officials**

|   |                          |          |
|---|--------------------------|----------|
| Rod Diercks   | Mayor                    | Dec 2013 |
| Joel Wikner   | Mayor Pro Tem            | Dec 2013 |
| Lyle Faust  | Council Member           | Dec 2013 |
| (Replaced in Special Election by Mary Scharnhorst Jan 2013) |                          |          |
| Mary Scharnhorst  | Council Member           | Dec 2013 |
| David Larson  | Council Member           | Dec 2013 |
| Jeremie Peterson  | Council Member           | Dec 2015 |
| Mark Richmann   | Council Member           | Dec 2015 |
| Larry Farley  | City Administrator/Clerk |          |
| Dale Goeke  | Attorney                 |          |

**City of Denver**



James R. Ridihalgh, C.P.A.  
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### **Independent Auditor's Report**

To the Honorable Mayor and  
Members of the City Council:

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Denver, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Denver as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

## **Basis of Accounting**

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U. S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Denver's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2012 (which is not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

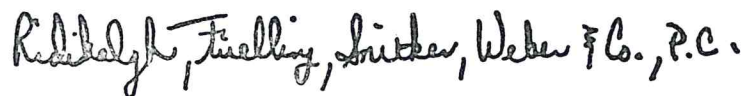
The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the budgetary comparison information on pages 22 through 24 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

The City of Denver has not presented a Management's Discussion and Analysis that the Governmental Standards Board has determined is necessary to supplement, although not required to be part of, the financial statements.

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated October 10, 2013 on our consideration of the City of Denver's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Denver's internal control over financial reporting and compliance.



Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

October 10, 2013

## **Basic Financial Statements**



## City of Denver

## Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2013

| Functions / Programs:              | Disbursements | Charges for Service | Program Receipts                                     |   |
|------------------------------------|---------------|---------------------|--|---|
|                                    |               |                     | Oper. Grants, Contributions, and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
| Governmental activities:           |               |                     |  |   |
| Public safety                      | \$ 355,816    | 169,886             | 22,272   | -   |
| Public works                       | 369,765       | 112,774             | 170,463  | -   |
| Health and social services         | 2,421         | -                   | -  | -   |
| Culture and recreation             | 182,067       | 17,132              | 34,285   | -   |
| Community and economic development | 16,473        | -                   | -  | -   |
| General government                 | 104,500       | 21,028              | -  | -   |
| Debt service                       | 362,687       | -                   | -  | -   |
| Capital projects                   | -             | -                   | -  | -   |
| Business type                      | -             | -                   | -  | -   |
| Total governmental activities      | 1,393,729     | 320,820             | 227,020  | -   |
| Business type activities:          |               |                     |  |   |
| Sewer                              | 989,172       | 518,425             | -  | -   |
| Electric                           | 1,132,639     | 1,188,679           | -  | -   |
| Nonmajor business type funds       | 155,772       | 173,233             | -  | -   |
| Total business type activities     | 2,277,583     | 1,880,337           | -  | -   |
| Total                              | \$ 3,671,312  | 2,201,157           | 227,020  | -   |

## General Receipts:

Property tax levied for:  
 General purposes  
 Debt Service  
 Tax increment financing  
 Local option sales tax  
 Unrestricted interest  
 TIF Debt  
 Rents  
 Miscellaneous  
 Transfers

Total general receipts and transfers

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

## Cash Basis Net Position

## Restricted:

## Nonexpendable:

Permanent Fund

## Expendable:

Streets

Debt Service

Other purposes

## Unrestricted

Total cash basis net position

See notes to financial statements

| Net (Disbursements) Receipts and<br>Changes in Cash Basis Net Assets |                             |             |
|--|-----------------------------|-------------|
| Governmental<br>Activities   | Business Type<br>Activities | Total       |
| (163,658)  | -                           | (163,658)   |
| (86,528)   | -                           | (86,528)    |
| (2,421)  | -                           | (2,421)     |
| (130,650)  | -                           | (130,650)   |
| (16,473)   | -                           | (16,473)    |
| (83,472)   | -                           | (83,472)    |
| (362,687)  | -                           | (362,687)   |
| -  | -                           | -           |
| -  | -                           | -           |
| (845,889)  | -                           | (845,889)   |
| -  | (470,747)                   | (470,747)   |
| -  | 56,040                      | 56,040      |
| -  | 17,461                      | 17,461      |
| -  | (397,246)                   | (397,246)   |
| (845,889)  | (397,246)                   | (1,243,135) |
| 354,597  | -                           | 354,597     |
| 75,297   | -                           | 75,297      |
| 38,719   | -                           | 38,719      |
| 158,308  | -                           | 158,308     |
| 8,879  | 18,174                      | 27,053      |
| 104,000  | -                           | 104,000     |
| 5,319  | -                           | 5,319       |
| 14,192   | 23,605                      | 37,797      |
| 76,565   | (76,565)                    | -           |
| 835,876  | (34,786)                    | 801,090     |
| (10,013)   | (432,032)                   | (442,045)   |
| 1,312,100  | 2,487,103                   | 3,799,203   |
| \$ 1,302,087   | 2,055,071                   | 3,357,158   |
| 55,726   | -                           | 55,726      |
| 225,399  | -                           | 225,399     |
| 6,198  | -                           | 6,198       |
| 8,808  | -                           | 8,808       |
| 1,005,956  | 2,055,071                   | 3,061,027   |
| \$ 1,302,087   | 2,055,071                   | 3,357,158   |

## City of Denver

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2013

|  | General      | Road Use<br>Tax-#110 | TIF<br>#125 | Nonmajor  | Total     |
|--|--------------|----------------------|-------------|-----------|-----------|
| <b>Receipts:</b>                       |              |                      |             |           |           |
| Property tax                           | \$ 354,597   | -                    | -           | 75,297    | 429,894   |
| TIF collections                        | -            | -                    | 39,019      | -         | 39,019    |
| Other city tax                         | -            | -                    | -           | 158,308   | 158,308   |
| Licenses and permits                   | 14,110       | -                    | -           | -         | 14,110    |
| Use of money and property              | 12,204       | -                    | -           | 5,370     | 17,574    |
| Intergovernmental                      | 18,615       | 175,940              | -           | -         | 194,555   |
| Charges for service                    | 325,275      | -                    | -           | -         | 325,275   |
| Special assessments                    | -            | -                    | -           | -         | -         |
| Miscellaneous                          | 19,166       | -                    | -           | 5,250     | 24,416    |
| Total receipts                         | 743,967      | 175,940              | 39,019      | 244,225   | 1,203,151 |
| <b>Disbursements:</b>                  |              |                      |             |           |           |
| Operating:                             |              |                      |             |           |           |
| Public safety                          | 355,816      | -                    | -           | -         | 355,816   |
| Public works                           | 82,373       | 287,392              | -           | -         | 369,765   |
| Health and social services             | 2,421        | -                    | -           | -         | 2,421     |
| Culture and recreation                 | 182,052      | -                    | -           | 15        | 182,067   |
| Community and economic development     | 16,473       | -                    | -           | -         | 16,473    |
| General government                     | 104,500      | -                    | -           | -         | 104,500   |
| Debt service                           | -            | -                    | 201,070     | 161,617   | 362,687   |
| Capital projects                       | -            | -                    | -           | -         | -         |
| Business Type                          | -            | -                    | -           | -         | -         |
| Total disbursements                    | 743,635      | 287,392              | 201,070     | 161,632   | 1,393,729 |
| Excess of receipts over disbursements  | 332          | (111,452)            | (162,051)   | 82,593    | (190,578) |
| <b>Other financing sources (uses):</b> |              |                      |             |           |           |
| Operating transfers in                 | 110,300      | 127,935              | 45,000      | 100,492   | 383,727   |
| Operating transfers out                | (144,177)    | (13,485)             | -           | (149,500) | (307,162) |
| Urban Renewal Debt                     | -            | -                    | 104,000     | -         | 104,000   |
| Total other financing sources (uses)   | (33,877)     | 114,450              | 149,000     | (49,008)  | 180,565   |
| Net change in cash balances            | (33,545)     | 2,998                | (13,051)    | 33,585    | (10,013)  |
| Cash balances beginning of year        | 1,039,501    | 222,400              | -           | 50,199    | 1,312,100 |
| Cash balances end of year              | \$ 1,005,956 | 225,398              | (13,051)    | 83,784    | 1,302,087 |
| <b>Cash Basis Fund Balances</b>        |              |                      |             |           |           |
| Restricted For:                        |              |                      |             |           |           |
| Streets                                | -            | 225,398              | -           | -         | 225,398   |
| For Other Purposes                     | -            | -                    | -           | 64,535    | 64,535    |
| Debt Service                           | -            | -                    | (13,051)    | 19,249    | 6,198     |
| Assigned                               | 249,255      | -                    | -           | -         | 249,255   |
| Unassigned                             | 756,701      | -                    | -           | -         | 756,701   |
| Total cash basis fund balances         | \$ 1,005,956 | 225,398              | (13,051)    | 83,784    | 1,302,087 |

See notes to financial statements

## City of Denver

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Cash Basis Statement of Activities and Net Position -  
Governmental Funds

As of and for the year ended June 30, 2013

|   |                     |
|---|---------------------|
| <b>Total governmental funds cash balances (page 10)</b> | <b>\$ 1,302,087</b> |
|---|---------------------|

The city does not have an internal service fund.  
Therefore there are no reconciling items.

-

**Cash basis net position of governmental  
activities (page 9)**

\$ 1,302,087

**Change in cash balances (page 10)**

\$ (10,013)

The city does not have an internal service fund.  
Therefore there are no reconciling items.

-

**Change in cash basis net position of governmental  
activities (page 9)**

\$ (10,013)

See notes to financial statements

## City of Denver

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2013

|  | Sewer      | Electric  | Nonmajor | Total     |
|--|------------|-----------|----------|-----------|
| Operating receipts:  |            |           |          |           |
| Charges for service  | \$ 518,425 | 1,188,679 | 178,157  | 1,885,261 |
| Use of money and property  | 3,925      | 11,923    | 2,326    | 18,174    |
| Miscellaneous  | 75         | 18,606    | -        | 18,681    |
| Total operating receipts   | 522,425    | 1,219,208 | 180,483  | 1,922,116 |
| Operating disbursements:   |            |           |          |           |
| Business type activities   | 989,172    | 1,132,639 | 155,772  | 2,277,583 |
| Total operating disbursements  | 989,172    | 1,132,639 | 155,772  | 2,277,583 |
| Excess (deficiency) of operating receipts over (under) operating disbursements | (466,747)  | 86,569    | 24,711   | (355,467) |
| Non-operating receipts   |            |           |          |           |
| Grants   | -          | -         | -        | -         |
| Total non-operating receipts   | -          | -         | -        | -         |
| Excess of receipts over (under) disbursements                                  | (466,747)  | 86,569    | 24,711   | (355,467) |
| Operating transfers in   | 87,375     | 50,000    | 50,000   | 187,375   |
| Operating transfers out  | (57,905)   | (110,300) | (95,735) | (263,940) |
| Net change in cash balances  | (437,277)  | 26,269    | (21,024) | (432,032) |
| Cash balances beginning of year  | 946,511    | 1,309,897 | 230,695  | 2,487,103 |
| Cash balances end of year  | \$ 509,234 | 1,336,166 | 209,671  | 2,055,071 |
| <b>Cash Basis Fund Balances</b>  |            |           |          |           |
| Unrestricted   | \$ 509,234 | 1,336,166 | 209,671  | 2,055,071 |
| Restricted for Debt Service  | -          | -         | -        | -         |
| Total cash basis fund balances   | \$ 509,234 | 1,336,166 | 209,671  | 2,055,071 |



## City of Denver

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Cash Basis Statement of Activities and Net Position -  
Proprietary Funds

As of and for the year ended June 30, 2013

|   |                     |
|---|---------------------|
| <b>Total enterprise funds cash balances (page 12)</b> | <b>\$ 2,055,071</b> |
|---|---------------------|

The city does not have an internal service fund.  
Therefore there are no reconciling items.

-

**Cash basis net position of business type  
activities (page 9)**

**\$ 2,055,071**

**Change in cash balances (page 12)**

**\$ (432,032)**

The city does not have an internal service fund.  
Therefore there are no reconciling items.

-

**Change in cash basis net position of business type  
activities (page 9)**

**\$ (432,032)**

See notes to financial statements

City of Denver

Notes to Financial Statements

June 30, 2013

**(1) Summary of Significant Accounting Policies**

The City of Denver is a political subdivision of the State of Iowa located in Bremer County. It was first incorporated in 1893 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, and solid waste utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Denver has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The City is represented on the Black Hawk County Consolidated Public Safety Communications Board, Black Hawk Conference Board, Black Hawk County Management Ageing, Black Hawk County Solid Waste Management Commission and Multi-Jurisdictional Hazard Mitigation Plan-Dunkerton and Gilbertville.

**B. Basis of Presentation**

**Government-wide Financial Statements** - The Statement of Activities and Net Assets reports information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories:

*Nonexpendable restricted net assets* are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

*Expendable restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

**Special Revenue:**

The Road Use Tax Fund (#110) is used to account for road construction and maintenance.

The TIF Fund is used to account for the receipt and disbursement monies for Tax Incremental Financing.

The City reports the following major proprietary funds:

The Enterprise Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Enterprise Electric Fund accounts for the operation and maintenance of the City's electric system.

**C. Measurement Focus and Basis of Accounting**

The City of Denver maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted



cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications-committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**D. Governmental Cash Basis Fund Balances:**

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable-Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted-Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state, or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned-Amounts the Council intends to use for specific purposes.

Unassigned-All amounts not included in other spendable classifications.

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013 the City did not exceed amounts budgeted.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

As of June 30, 2012, the City had investments totaling \$19,833. These investments consisted of an equity position in General Electric Company for \$2,459 which was in violation of the City Investment Policy, \$2,084 in Federal Home Loan Mortgage Corp due August 15, 2037 which was in violation due to the maturity date and \$15,290 in mutual funds. During the year ended June 30, 2013 the City transferred these funds to certificates of deposit which comply with their Investment Policy.

Interest rate risk-The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days and meet their definition of *Instruments Eligible for Investment*. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

### (3) Bonds and Notes Payable

Annual debt service requirements to maturity of the General Obligation Capital Loan Notes and Revenue Bonds are as follows:

| Year<br>Ending<br><u>June 30,</u> | Capital Obligation<br>and Revenue Bond |                 |
|-----------------------------------|--|-----------------|
|                                   | <u>Principal</u>                       | <u>Interest</u> |
| 2014                              | \$ 157,876                             | 35,645          |
| 2015                              | 158,553                                | 29,741          |
| 2016                              | 159,245                                | 23,822          |
| 2017                              | 159,983                                | 17,855          |
| 2018                              | 110,738                                | 11,873          |
| 2019-2023                         | <u>241,721</u>                         | <u>15,599</u>   |
|                                   | <u>\$ 988,116</u>                      | <u>134,535</u>  |

#### General Obligation Notes & Bonds:

The City issued a \$500,000 General Obligation Street Improvement Note, dated August 1, 2007, with an interest rate of 4.45%. The notes were issued for the purpose of financing improvements to the city's streets. Principal on the note is payable in ten equal annual installments of \$50,000 each, due on June 1 of each year. First payment was June 1, 2008 and the last payment is due June 1, 2017. Balance at June 30, 2013 was \$200,000.

The City issued a \$275,000 General Obligation Economic Development Note, dated February 1, 2008, with an interest rate of 4.35%. Interest on the note is due on June 1 of each year 2009 to 2020. Principal is due in ten equal installments of \$27,500 each on June 1 of each year 2011 to 2020. Balance at June 30, 2013 was \$192,500.

The City has a \$193,684 General Obligation Note, Series 2006 Fire Truck Pumper, dated April 19, 2010 with an interest rate of 4.0 %. Payments of \$23,610 are due each June 30, beginning June 1, 2011. Balance at June 30, 2013 was \$143,283.

The City has a \$300,000 General Obligation Storm Sewer Improvement Note, dated November 15, 2011 with an interest rate of 2.9%. Payments are due on June 1 of each year beginning June 1, 2012. Payments are \$30,000 principal plus interest for ten years, with last payment June 1, 2021. Balance at June 30, 2013 was \$240,000.

The City has a \$130,000 General Obligation Fire Equipment Note, dated June 1, 2012 with an interest rate of 3.0%. There are six equal payments of \$21,667.67 due on June 1 in each of the years 2013 to and including 2018. Balance at June 30, 2013 was \$108,333.



The City issued \$104,000 of urban renewal tax increment financing (TIF) revenue bonds in January 2013 for the purpose of planning, undertaking, and carrying out projects within the urban renewal district. The bonds are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Revenue Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100% of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining of the bonds is \$119,730, payable through June 2023.

#### Additional Debt

The City has an Installment Sale Agreement with Ziegler Cat for a Caterpillar #414 Loader, dated June 4, 2008. Original amount was \$60,775. Interest rate is 5.25%. Agreement called for five equal annual installment payments of \$13,484.83, with the first payment due December 8, 2008 and final payment due December 8, 2012. This Agreement was paid off year ended June 30, 2013.

### **(4) Pension and Retirement Benefits**

#### Iowa Public Employees Retirement System

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2013 and 2012 was \$42,796 and \$39,290 respectively, equal to the required contributions for the year.

### **(5) Other Postemployment Benefits (OPEB)**

Plan Description-As of June 30, 2013 the City was paying 100% of the medical insurance for the City Administrator. Other City full time employees paid a portion of their medical insurance. The City pays either family or single coverage depending on the employees' status. The City is self-insured for dental benefits. Dental benefits follow similar coverage criteria, deductibles and co-insurance as Delta Dental.

Funding Policy-The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. Monthly premiums for the City and plan members as of June 1, 2013 were \$438 medical for single coverage and \$1,078 medical for family. The same monthly premiums apply to retirees. For the year ended June 30, 2013, the City contributed \$45,839 and plan members eligible for benefits contributed \$5,090 to the plan.

International City Management Association-The City contributes to the International City Management Association Retirement Corporation (ICMA-RC) on behalf of its City Administrator. ICMA-RC is a 457 deferred compensation plan. The City contributes at the IPERS rate. The City's contributions to ICMA-RC for the year ended June 30, 2013 was \$6,182.

#### **(6) Compensated Absences**

City of Denver employees accumulate a limited amount of earned but unused vacation and sick leave hours based on the length of employment. It is payable when used and may be accumulated at various rates based on years of service. Maximum sick leave that may be accumulated is ninety days. Vacation is payable when used and accumulates based on an employee's anniversary date. These accumulations are not recognized as disbursements by the City until used or paid. At the end of employment, providing the employee has given two week notice, the City will pay for any unused vacation and for accumulated sick leave. The City's approximate liability for earned vacation termination payments payable to employees at June 30, 2013 is \$22,240. The City's approximate liability for sick leave, reimbursed at 50% of the sick leave amount, at June 30, 2013 is \$20,638. This liability has been computed based on rates of pay in effect at June 30, 2013.

#### **(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u>   | <u>Amount</u>     |
|--------------------|------------------------|-------------------|
| General            | Business Type:         |                   |
|                    | Electric               | \$ <u>110,300</u> |
| Special Revenue:   | Business Type:         |                   |
| Road Use Tax       | Water                  | 7,905             |
|                    | Sewer                  | 7,905             |
|                    | Special Revenue:       |                   |
|                    | Local Option Sales Tax | <u>112,125</u>    |
|                    |                        | <u>127,935</u>    |
| TIF                | General                | <u>45,000</u>     |
| Debt Service       | General                | 49,177            |
|                    | Special Revenue:       |                   |
|                    | RUT                    | 13,485            |
|                    | Business Type:         |                   |
|                    | Storm Water            | <u>37,830</u>     |
|                    |                        | <u>100,492</u>    |

| <u>Transfer to</u>        | <u>Transfer from</u>   | <u>Amount</u>    |
|---------------------------|------------------------|------------------|
| Business Type:            | Special Revenue:       |                  |
| Sewer                     | Local Option Sales Tax | <u>87,375</u>    |
| Water                     | General                | <u>50,000</u>    |
| Electric                  | Business Type:         |                  |
|                           | Sewer                  | <u>50,000</u>    |
| Total Interfund Transfers |                        | <u>\$571,102</u> |

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

#### **(8) Related Party Transactions**

The City had no business transactions between the City and City employees during the year ended June 30, 2013.

#### **(9) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in past fiscal year.

#### **(10) Deficit Balance**

The City had a deficit balance in the Special Revenue-TIF Fund at June 30, 2013.

#### **(11) Lease Agreement**

The City pays \$2,000 per month for an aeration system for the lagoon. The City does not have a lease agreement on this, but does have an original three month trial paper work from 2004.

#### **(13) Litigation**

There is no pending litigation pending involving the City of Denver.

#### **(14) Subsequent Events**

No significant subsequent events were noted.



## Other Information

City of Denver

Budgetary Comparison Schedule  
of Receipts, disbursements, and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds  
Other Information

Year ended June 30, 2013

|  | Governmental<br>Funds<br>Actual | Proprietary<br>Funds<br>Actual | Less<br>Funds not<br>Required to<br>be Budgeted | Net       |
|--|---------------------------------|--------------------------------|---|-----------|
| Receipts:  |                                 |                                |   |           |
| Property tax   | \$ 429,894                      | -                              | -   | 429,894   |
| Tax increment financing collections  | 39,019                          | -                              | -   | 39,019    |
| Other city tax   | 158,308                         | -                              | -   | 158,308   |
| Licenses and permits   | 14,110                          | -                              | -   | 14,110    |
| Use of money and property  | 17,574                          | 18,174                         | -   | 35,748    |
| Intergovernmental  | 194,555                         | -                              | -   | 194,555   |
| Charges for service  | 325,275                         | 1,885,261                      | -   | 2,210,536 |
| Special assessments  | -                               | -                              | -   | -         |
| Miscellaneous  | 24,416                          | 18,681                         | -   | 43,097    |
| Total receipts   | 1,203,151                       | 1,922,116                      | -   | 3,125,267 |
| Disbursements:   |                                 |                                |   |           |
| Public safety  | 355,816                         | -                              | -   | 355,816   |
| Public works   | 369,765                         | -                              | -   | 369,765   |
| Health and social services   | 2,421                           | -                              | -   | 2,421     |
| Culture and recreation   | 182,067                         | -                              | -   | 182,067   |
| Community and economic<br>development  | 16,473                          | -                              | -   | 16,473    |
| General government   | 104,500                         | -                              | -   | 104,500   |
| Debt service   | 362,687                         | -                              | -   | 362,687   |
| Capital projects   | -                               | -                              | -   | -         |
| Business type activities   | -                               | 2,277,583                      | -   | 2,277,583 |
| Total disbursements  | 1,393,729                       | 2,277,583                      | -   | 3,671,312 |
| Excess of receipts over disbursements  | (190,578)                       | (355,467)                      | -   | (546,045) |
| Other financing sources, net   | 180,565                         | (76,565)                       | -   | 104,000   |
| Excess of receipts and other financing<br>sources over disbursements and<br>other financing uses | (10,013)                        | (432,032)                      | -   | (442,045) |
| Balances beginning of year   | 1,312,100                       | 2,487,103                      | -   | 3,799,203 |
| Balances end of year   | \$ 1,302,087                    | 2,055,071                      | -   | 3,357,158 |

See accompanying independent auditor's report.

| Budgeted Amounts |           | Final to<br>Net<br>Variance |
|------------------|-----------|-----------------------------|
| Original         | Final     |                             |
| 426,528          | 426,528   | 3,366                       |
| 46,070           | 46,070    | (7,051)                     |
| 162,161          | 162,161   | (3,853)                     |
| 3,345            | 3,345     | 10,765                      |
| 21,800           | 21,800    | 13,948                      |
| 199,420          | 487,420   | (292,865)                   |
| 2,102,251        | 2,164,651 | 45,885                      |
| 7,500            | 7,500     | (7,500)                     |
| 24,000           | 24,000    | 19,097                      |
| 2,993,075        | 3,343,475 | (218,208)                   |

|             |             |         |
|-------------|-------------|---------|
| 269,168     | 405,686     | 49,870  |
| 419,743     | 419,743     | 49,978  |
| 8,000       | 8,000       | 5,579   |
| 176,032     | 186,032     | 3,965   |
| 1,250       | 27,250      | 10,777  |
| 106,950     | 111,950     | 7,450   |
| 145,680     | 578,858     | 216,171 |
| -           | -           | -       |
| 5,810,326   | 2,810,326   | 532,743 |
| 6,937,149   | 4,547,845   | 876,533 |
| (3,944,074) | (1,204,370) | 658,325 |
| 4,000,000   | 104,000     | -       |

|           |             |           |
|-----------|-------------|-----------|
| 55,926    | (1,100,370) | 658,325   |
| 2,901,612 | 2,901,612   | 897,591   |
| 2,957,538 | 1,801,242   | 1,555,916 |

City of Denver

Notes to Other Information – Budgetary Reporting

June 30, 2013

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, the budget was amended and decreased budgeted receipts by \$3,545,600 and decreased budgeted disbursements by \$2,389,304. The amendment was partially to reflect the decrease in revenues resulting from the fact that the City did not borrow from the State Revolving Loan Fund and the decrease in disbursements due to various reasons including that due to lack of borrowing SRF funds there were no corresponding expenditures.

## **Supplementary Information**

## City of Denver

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
General Fund

As of and for the year ended June 30, 2013

|   | Ambulance         | Fire           | Park &<br>Rec   | Other<br>General | Total<br>General |
|---|-------------------|----------------|-----------------|------------------|------------------|
| <b>Operating Receipts:</b>  |                   |                |                 |                  |                  |
| Property Taxes  | \$ -              | -              | -               | 354,597          | 354,597          |
| TIF Collections   | -                 | -              | -               | -                | -                |
| Other City Tax  | -                 | -              | -               | -                | -                |
| Licenses and Permits  | -                 | -              | -               | 14,110           | 14,110           |
| Use of Money & Property   | -                 | 1,417          | -               | 10,787           | 12,204           |
| Intergovernmental   | -                 | 7,809          | -               | 10,806           | 18,615           |
| Charges for Services  | 75,379            | 80,020         | 16,132          | 153,744          | 325,275          |
| Special Assessments   | -                 | -              | -               | -                | -                |
| Miscellaneous   | 2,568             | 380            | -               | 16,218           | 19,166           |
| <b>Total operating receipts</b>   | <b>77,947</b>     | <b>89,626</b>  | <b>16,132</b>   | <b>560,262</b>   | <b>743,967</b>   |
| <b>Operating Disbursements:</b>   |                   |                |                 |                  |                  |
| Public Safety   | 43,623            | 57,056         | -               | 255,137          | 355,816          |
| Public Works  | -                 | -              | -               | 82,373           | 82,373           |
| Health & Social Services  | -                 | -              | -               | 2,421            | 2,421            |
| Culture & Recreation  | -                 | -              | 43,615          | 138,437          | 182,052          |
| Community & Economic<br>Development   | -                 | -              | -               | 16,473           | 16,473           |
| General Government  | -                 | -              | -               | 104,500          | 104,500          |
| Debt Service  | -                 | -              | -               | -                | -                |
| Capital Projects  | -                 | -              | -               | -                | -                |
| Business type activities  | -                 | -              | -               | -                | -                |
| <b>Total operating disbursements</b>  | <b>43,623</b>     | <b>57,056</b>  | <b>43,615</b>   | <b>599,341</b>   | <b>743,635</b>   |
| <b>Excess (deficiency) of receipts over<br/>(under) operating disbursements</b> | <b>34,324</b>     | <b>32,570</b>  | <b>(27,483)</b> | <b>(39,079)</b>  | <b>332</b>       |
| <b>Non-operating receipts(disbursements):</b>                                   |                   |                |                 |                  |                  |
| Inter-Fund Transfer   | -                 | -              | 29,132          | (29,132)         | -                |
| <b>Excess of receipts over disbursements</b>                                    | <b>34,324</b>     | <b>32,570</b>  | <b>1,649</b>    | <b>(68,211)</b>  | <b>332</b>       |
| Operating transfers in  | -                 | -              | -               | 110,300          | 110,300          |
| Operating transfers out   | -                 | -              | -               | (144,177)        | (144,177)        |
| <b>Net change in cash balances</b>  | <b>34,324</b>     | <b>32,570</b>  | <b>1,649</b>    | <b>(102,088)</b> | <b>(33,545)</b>  |
| <b>Cash balances beginning of year</b>  | <b>90,172</b>     | <b>73,211</b>  | <b>17,329</b>   | <b>858,789</b>   | <b>1,039,501</b> |
| <b>Cash balances end of year</b>  | <b>\$ 124,496</b> | <b>105,781</b> | <b>18,978</b>   | <b>756,701</b>   | <b>1,005,956</b> |
| <b>Cash Basis Fund Balances</b>   |                   |                |                 |                  |                  |
| Assigned  | \$ 124,496        | 105,781        | 18,978          | -                | 249,255          |
| Unassigned  | -                 | -              | -               | 756,701          | 756,701          |
| <b>Total cash basis fund balances</b>   | <b>\$ 124,496</b> | <b>105,781</b> | <b>18,978</b>   | <b>756,701</b>   | <b>1,005,956</b> |



## City of Denver

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2013

|   | Local Option<br>Sales Tax<br>#124 | Debt<br>Service<br>#202 | NonMajor<br>Permanent<br>Funds<br>#500 | Total     |
|---|-----------------------------------|-------------------------|--|-----------|
| Receipts:   |                                   |                         |  |           |
| Property tax  | \$ -                              | 75,297                  | -                                      | 75,297    |
| Tax increment financing collections                           | -                                 | -                       | -                                      | -         |
| Other city tax  | 158,308                           | -                       | -                                      | 158,308   |
| Use of money and property                                     | -                                 | 5,077                   | 293                                    | 5,370     |
| Intergovernmental   | -                                 | -                       | -                                      | -         |
| Miscellaneous   | -                                 | -                       | 5,250                                  | 5,250     |
| Total receipts  | 158,308                           | 80,374                  | 5,543                                  | 244,225   |
| Disbursements:  |                                   |                         |  |           |
| Operating:  |                                   |                         |  |           |
| Public Works  | -                                 | -                       | -                                      | -         |
| Culture and Recreation  | -                                 | -                       | 15                                     | 15        |
| Community and Economic<br>Development                         | -                                 | -                       | -                                      | -         |
| Capital Projects  | -                                 | -                       | -                                      | -         |
| Debt Service  | -                                 | 161,617                 | -                                      | 161,617   |
| Total disbursements   | -                                 | 161,617                 | 15                                     | 161,632   |
| Excess (deficiency) of receipts over (under)<br>disbursements | 158,308                           | (81,243)                | 5,528                                  | 82,593    |
| Other financing sources:                                      |                                   |                         |  |           |
| Operating transfers in  | -                                 | 100,492                 | -                                      | 100,492   |
| Operating transfers out                                       | (149,500)                         | -                       | -                                      | (149,500) |
| Net change in cash balances                                   | 8,808                             | 19,249                  | 5,528                                  | 33,585    |
| Cash balances beginning of year                               | -                                 | -                       | 50,199                                 | 50,199    |
| Cash balances end of year                                     | \$ 8,808                          | 19,249                  | 55,727                                 | 83,784    |
| <b>Cash Basis Fund Balances</b>                               |                                   |                         |  |           |
| Restricted for Other Purposes                                 | \$ 8,808                          | 19,249                  | 55,727                                 | 83,784    |
| Unassigned  | -                                 | -                       | -                                      | -         |
|   | \$ 8,808                          | 19,249                  | 55,727                                 | 83,784    |

See accompanying independent auditor's report

## City of Denver

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2013

|   | #600<br>Water | #635<br>Electric<br>Deposits | #740<br>Storm<br>Water | Total    |
|---|---------------|------------------------------|------------------------|----------|
| Operating Receipts:   |               |                              |                        |          |
| Charges for service   | \$ 146,267    | 6,830                        | 25,060                 | 178,157  |
| Use of money and property   | 2,275         | 51                           | -                      | 2,326    |
| Miscellaneous   | -             | -                            | -                      | -        |
| Total operating receipts  | 148,542       | 6,881                        | 25,060                 | 180,483  |
| Operating Disbursements:  |               |                              |                        |          |
| Business type activities  | 149,445       | 6,327                        | -                      | 155,772  |
| Total operating disbursements   | 149,445       | 6,327                        | -                      | 155,772  |
| Excess (deficiency) of receipts over<br>(under) operating disbursements | (903)         | 554                          | 25,060                 | 24,711   |
| Non-operating receipts(disbursements):                                  |               |                              |                        |          |
| Debt Service  | -             | -                            | -                      | -        |
| Excess of receipts over disbursements                                   | (903)         | 554                          | 25,060                 | 24,711   |
| Operating transfers in  | 50,000        | -                            | -                      | 50,000   |
| Operating transfers out   | (57,905)      | -                            | (37,830)               | (95,735) |
| Net change in cash balances   | (8,808)       | 554                          | (12,770)               | (21,024) |
| Cash balances beginning of year   | 188,836       | 8,123                        | 33,736                 | 230,695  |
| Cash balances end of year   | \$ 180,028    | 8,677                        | 20,966                 | 209,671  |
| <b>Cash Basis Fund Balances</b>   |               |                              |                        |          |
| Unrestricted  | \$ 180,028    | 8,677                        | 20,966                 | 209,671  |
| Restricted for Debt Service   | -             | -                            | -                      | -        |
| Total cash basis fund balances  | \$ 180,028    | 8,677                        | 20,966                 | 209,671  |

See accompanying independent auditor's report



CITY OF DENVER  
STATEMENT OF INDEBTEDNESS  
JUNE 30, 2013

|  | <u>Date of<br/>Issue</u> | <u>Interest<br/>Rates</u> | <u>Amount<br/>Originally<br/>Issued</u> |
|--|--------------------------|---------------------------|---|
| General Obligation Street<br>Improvement Note                            | 8/1/2007                 | 4.45%                     | \$ 500,000                              |
| General Obligation Economic<br>Development Note-TIF<br>Tierney/Moeller   | 2/1/2008                 | 4.35%                     | 275,000                                 |
| General Obligation Street<br>Loan Note, Series 2006<br>Fire Truck Pumper | 4/19/2010                | 2.90%                     | 193,684                                 |
| General Obligation Storm<br>Sewer Improvement Note<br>Hoover Street      | 11/15/2011               | 2.90%                     | 300,000                                 |
| General Obligation Fire<br>Equipment Note                                | 6/1/2012                 | 3.00%                     | 130,000                                 |
| Total General Obligation   |                          |                           |   |
| Urban Renewal Tax<br>Increment Revenue Bond                              | 1/21/2013                | 2.75%                     | 104,000                                 |
| Lease Purchase<br>Ziegler-Catepillar<br>#414 Loader                      | 12/8/2008                | 5.25%                     | 61,025                                  |

| <u>Balance<br/>7/1/2012</u> | <u>Issued<br/>During<br/>Year</u> | <u>Redeemed<br/>During<br/>Year</u> | <u>Balance<br/>6/30/2013</u> | <u>Interest<br/>Paid</u> | <u>Interest<br/>Due and<br/>Unpaid</u> |
|-----------------------------|-----------------------------------|-------------------------------------|------------------------------|--------------------------|--|
| \$ 250,000                  | -                                 | 50,000                              | 200,000                      | 11,125                   | -                                      |
| 220,000                     | -                                 | 27,500                              | 192,500                      | 9,570                    | -                                      |
| 160,939                     | -                                 | 17,656                              | 143,283                      | 5,955                    | -                                      |
| 270,000                     | -                                 | 30,000                              | 240,000                      | 7,830                    | -                                      |
| 130,000                     | -                                 | 21,667                              | 108,333                      | 3,900                    | -                                      |
| <hr/>                       |                                   |                                     |                              |                          |  |
| \$ 1,030,939                | -                                 | 146,823                             | 884,116                      | 38,380                   | -                                      |
| <hr/>                       |                                   |                                     |                              |                          |  |
| -                           | 104,000                           | -                                   | 104,000                      | -                        |  |
| 12,812                      | -                                 | 12,812                              | -                            | 673                      |  |

## City of Denver

## Bond and Note Maturities

June 30, 2013

| Year<br>Ending<br>June 30, | General Obligation<br>Street Improv Note |                   | General Obligation<br>Econ Dev-TIF<br>Tierney/Moeller |                | General Obligation<br>Street Loan Series 2006<br>Fire Truck Pumper |                | General Obligation<br>Strm Swr Improv<br>Hoover Street |                | General Obligation<br>Fire Equipment<br>Note |                |
|----------------------------|--|-------------------|---|----------------|--|----------------|--|----------------|--|----------------|
|                            | Issued Aug 1, 2007                       |                   | Issued Feb 1, 2008                                    |                | Issued April 19, 2010  |                | Issued Nov. 15, 2011                                   |                | Issued June 1, 2012                          |                |
|                            | Interest<br>Rates                        | Amount            | Interest<br>Rates                                     | Amount         | Interest<br>Rates  | Amount         | Interest<br>Rate                                       | Amount         | Interest<br>Rate                             | Amount         |
| 2014                       | 4.45%                                    | \$ 50,000         | 4.35%   | 27,500         | 2.90%  | 18,309         | 2.90%  | 30,000         | 3.00%  | 21,667         |
| 2015                       | 4.45%                                    | 50,000            | 4.35%   | 27,500         | 2.90%  | 18,986         | 2.90%  | 30,000         | 3.00%  | 21,667         |
| 2016                       | 4.45%                                    | 50,000            | 4.35%   | 27,500         | 2.90%  | 19,678         | 2.90%  | 30,000         | 3.00%  | 21,667         |
| 2017                       | 4.45%                                    | 50,000            | 4.35%   | 27,500         | 2.90%  | 20,417         | 2.90%  | 30,000         | 3.00%  | 21,666         |
| 2018                       |  |                   | 4.35%   | 27,500         | 2.90%  | 21,172         | 2.90%  | 30,000         | 3.00%  | 21,666         |
| 2019                       |  |                   | 4.35%   | 27,500         | 2.90%  | 21,956         | 2.90%  | 30,000         |  |                |
| 2020                       |  |                   | 4.35%   | 27,500         | 2.90%  | 22,765         | 2.90%  | 30,000         |  |                |
| 2021                       |  |                   |   |                |  |                | 2.90%  | 30,000         |  |                |
|                            |  | <u>\$ 200,000</u> |   | <u>192,500</u> |  | <u>143,283</u> |  | <u>240,000</u> |  | <u>108,333</u> |

See accompanying independent auditor's report

## City of Denver

Schedule of Receipts by Source and Disbursements By Function  
All Governmental Funds

For the Last Two Years Ended June 30

|                                    | 2013                | 2012             |
|------------------------------------|---------------------|------------------|
| Receipts:                          |                     |                  |
| Property tax                       | \$ 429,894          | 408,320          |
| Tax increment financing            | 39,019              | 92,893           |
| Other city tax                     | 158,308             | 124,299          |
| Licenses and permits               | 14,110              | 12,314           |
| Use of money and property          | 17,574              | 27,448           |
| Intergovernmental                  | 194,555             | 284,315          |
| Charges for service                | 325,275             | 209,481          |
| Special assessments                | -                   | -                |
| Miscellaneous                      | 24,416              | 256,637          |
| Total                              | <u>\$ 1,203,151</u> | <u>1,415,707</u> |
| Disbursements:                     |                     |                  |
| Operating:                         |                     |                  |
| Public safety                      | \$ 355,816          | 560,374          |
| Public works                       | 369,765             | 376,027          |
| Health and social services         | 2,421               | -                |
| Culture and recreation             | 182,067             | 180,476          |
| Community and economic development | 16,473              | 1,320            |
| General government                 | 104,500             | 86,386           |
| Debt service                       | 362,687             | 315,601          |
| Capital projects                   | -                   | -                |
| Business type                      | -                   | -                |
| Total                              | <u>\$ 1,393,729</u> | <u>1,520,184</u> |

See accompanying independent auditor's report

**City of Denver**



James R. Ridihalgh, C.P.A.  
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and  
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Denver, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 10, 2013. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Denver's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Denver's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Denver's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material statement of the City of Denver's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as II-A-13 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-13 to be a significant deficiency.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Denver's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the city's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

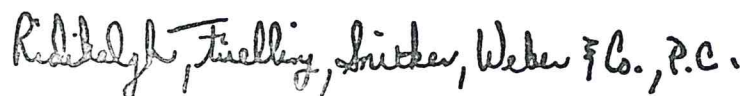
### City of Denver's Responses to Finding

The City of Denver's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Denver's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Denver during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

October 10, 2013

**City of Denver**



City of Denver

Schedule of Findings and Questioned Costs

June 30, 2013

**Part I: Summary of the Independent Auditor's Results:**

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

- II-A-13 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. City of Denver is a small city with an office staff consisting of the City Administrator and one assistant clerk. All employees can have custody of cash before depositing. In addition the assistant clerk also records cash received, prepares deposit tickets, compares deposits to records and prepares journal entries.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – The City will review its controls procedures in an attempt to maximize internal control where possible under the circumstances.

Conclusion – Response accepted.

- II-B-13 Significant Deficiency – The City of Denver, Iowa prepares financial statements, but does not employ an accounting staff with the technical expertise to prepare its financial statements (including footnotes disclosures) in conformity with accounting principles general accepted in the United States of America; therefore, it relies on its auditors to prepare such statements.

Management Response – Management feels that having the auditors draft the financial statements and notes is a tolerable situation. Internal financial statements are prepared monthly for reporting and decision making purposes. The requirements and form of the audited statements are different than the internal needs and change occasionally. Given the size of the organization, it is helpful to rely on the expertise of

the auditors to monitor those requirements. Management approves the draft financial statements prior to their issuance.

### **INSTANCES OF NON-COMPLIANCE**

No matters were noted.

### **Part III: Findings and Questioned Costs for Federal Awards:**

There were no findings and questioned costs for federal awards.

### **Part IV: Other Findings Related to Statutory Reporting:**

- IV-A-13 Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2013.
- IV-B-13 Certified Budget – City disbursements did not exceed amounts budgeted during the year ended June 30, 2013.
- IV-C-13 Questionable Disbursements – We noted no disbursements that fail to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-D-13 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- IV-E-13 Business Transactions – No business transactions between the City and City officials or employees were noted.
- IV-F-13 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-G-13 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- IV-H-13 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- IV-I-13 Payment of General Obligation Bonds-Payments on General Obligation Debt are to be paid from the Debt Service Fund. The payments on the General Obligation Economic Development Note dated February 1, 2008 were paid out of the TIF Fund.

Recommendation-The City should transfer the monies receipted into the TIF Fund to the Debt Service Fund in the future for payments on the General Obligation debt.

Response-In the future the City will transfer monies from the TIF account to the Debt Service Fund to make payments on the General Obligation debt.

Conclusion-Response accepted.

IV-J-13 Financial Condition-The City had a deficit balance in the Special Revenue-TIF Fund at June 30, 2013.

Recommendation-The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response-The City believes that this deficit is merely a matter of timing. Funds will be received to restore this fund to a sound financial position.

Conclusion-Response accepted.

IV-K-13 Urban Renewal Annual Report – The urban renewal annual report was approved but was not certified to the Iowa Department of Management on or before December 1, 2012. The report was filed in January 2013.

Recommendation – The City should file the urban renewal annual report timely.

Response – Reports were not available for filing on a timely basis.

Conclusion – Response accepted.

City of Denver  
Staff

This audit was performed by:

Donald A. Snitker, CPA, Audit Partner

James Remington, Staff

Brent Waters, Staff